

# BUDGET LETTER

		NUMBER: 03-27
SUBJECT: GENERAL STATEWIDE SECTIONS		DATE ISSUED: August 11, 2003
REFERENCES: BUDGET ACT OF 2003, (CHAPTER 157, STATUTES OF 2003)		SUPERSEDES: BL 02-32

TO: Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

The 2003 Budget Act contains various changes to the General Statewide Sections that may affect a wide range of departments. Sections 4.10, 4.15, 5.50, 8.25, 8.30, and 25.00 were added to the Budget Act of 2003. Section 8.00 was revised. Additionally, certain provisions in AB 1756 will also impact various departments. The new or revised Sections are outlined below. For additional information regarding these Sections, please contact your Department of Finance (Finance) Budget Analyst or the Finance analyst responsible for the Section, as listed at the end of this Budget Letter (BL).

## **SECTION 4.10—POSITION REDUCTION AND REALLOCATION OF FUNDS AMONG DEPARTMENTS**

Section 4.10 reduces employee compensation by \$1.1 billion and requires the elimination of 16,000 positions. This section also gives the Director of Finance authority to reallocate funds among items of appropriation and adjust budgets as necessary to ensure that anticipated personal services reductions are consistent with available resources. Section 56 of AB 1756 contains corresponding provisions for non-budget act appropriations. BL 03-23 provides instructions regarding plans to implement personal services reductions and Executive Order D-71-03.

## **SECTION 4.15—WORKERS' COMPENSATION REFORMS**

Section 4.15 allows Finance to adjust amounts in any appropriation item, or any category thereof, to reflect decreased workers' compensation cost that result from reforms to workers' compensation. A future BL will be issued to implement the section if savings result from workers' compensation reforms.

## **SECTION 5.50—RENEGOTIATION OF OPERATING EXPENSES AND EQUIPMENT CONTRACTS**

Section 5.50 authorizes the Department of General Services (DGS) to achieve up to \$100 million savings (\$50 million General Fund) through entrepreneurial practices such as the renegotiation of facility leases, bulk purchasing, and various other alternative procurement practices. Control Section 5.50 further authorizes Finance to reduce departmental budgets by the amount of actual savings

identified by DGS, and provides departments with financial incentives to encourage participation. A future BL will be issued regarding the savings associated with entrepreneurial practices.

## **SECTION 8.00—ANTI-TERRORISM FEDERAL REIMBURSEMENTS**

Section 8.00 authorizes Finance to allocate to State and local governments amounts received from the federal government for anti-terrorism costs. These allocations may be used to offset expenditures incurred in 2002-03 and ongoing or to fund new costs for the 2003-04 fiscal year. Allocations made pursuant to the section may not be authorized sooner than 30 days after notification to the Joint Legislative Budget Committee.

## **SECTION 8.25—FEDERAL FISCAL RELIEF**

Section 8.25 authorizes Finance to expend federal funds received by the State from the federal State Fiscal Relief Payments program. These funds must be used to provide essential government services or cover the costs to the State of complying with any federal intergovernmental mandate. This section also authorizes Finance to reduce any General Fund items of appropriation due to the expenditure of these federal funds in lieu of General Fund amounts appropriated for this purpose. Adjustments made pursuant to this section may not be authorized sooner than 30 days after notification to the Joint Legislative Budget Committee. Finance will provide further instructions to the specific departments that will be affected by this section.

## **SECTION 8.30—ENHANCED FEDERAL MEDICAL ASSISTANCE PERCENTAGE**

Section 8.30 authorizes Finance to augment federal fund items of appropriation to reflect the additional federal Medicaid matching funds that the State will receive in the budget year as a result of Section 401(a) of the federal Jobs and Growth Tax Relief Reconciliation Act of 2003. That Act temporarily increased the Federal Medical Assistance Percentage (FMAP) matching rate for the State's Medi-Cal program during April 1, 2003, through June 30, 2004. This Section also authorizes Finance to make corresponding reductions in General Fund items of appropriation, and to transfer the General Fund savings to other items. Adjustments made pursuant to this section may not be authorized sooner than 30 days after notification to the Joint Legislative Budget Committee. Finance will provide further instructions to the specific departments that will be affected by this section.

## **SECTION 25.00—ABOLISH OFFICE OF CRIMINAL JUSTICE PLANNING**

Section 25.00 would abolish the Office of Criminal Justice Planning (OCJP) effective January 1, 2004, and require the Director of Finance to submit a plan for restructuring the functions of this department to the Joint Legislative Budget Committee by October 1, 2003. This plan would be required to identify the specific programs and funding that would be transferred to other departments, specify administrative savings achieved through this consolidation, and include the elimination of at least 50 positions. This section would also provide appropriation authority for the Director of Finance to allocate funding to implement this plan. This funding level represents approximately six months of the funding that would otherwise be provided to OCJP. Only affected departments will receive further information.

## **SECTION 55 of AB 1756—CONTROLLING SPENDING GROWTH**

Section 55.00 instructs Finance, in the preparation of the 2004-05 State Budget, to not include any proposed funding for State, University of California, and California State University salary increase or discretionary price adjustments, local mandate reimbursements, and the All American Canal. In addition, it restricts General Fund capital outlay spending to \$50 million except for emergencies and contingencies and Proposition 98 spending in 2003-04 and 2004-05.

If you have any questions regarding these sections, please call the following Finance staff:

- Sections 4.10 and 4.15 – Bob Sands – (916) 445-3274
- Section 5.50 – Jennifer Osborn – (916) 445-2627
- Section 8.00 – Tom Lutzenberger – (916) 445-8913
- Sections 8.25 and 8.30 – Erika Sperbeck – (916) 445-6423
- Section 25.00 – Marcia Caballin – (916) 445-8913
- Section 55.00 of AB 1756 – your Finance Budget Analyst

/s/ Veronica Chung-Ng

Veronica Chung-Ng  
Program Budget Manager

### **Upcoming Budget Letters**

- Control Section 3.60 Adjustments
- Supplemental Language Report Requests
- 2004-05 Price Letter Standards
- 2004-05 Salaries & Wages Galley
- Initial 2004-05 Budget Galley